

Judge Pechman

CR 02-256 #9

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JUL 30 2002

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

v.

CLIFFORD G. BAIRD,

Defendant.

NO. CR02-256P

PLEA AGREEMENT

FILED UNDER SEAL

Come now the United States of America, by and through Mark Bartlett, Acting United States Attorney, and Jeffrey B. Coopersmith, Ye-Ting Woo, and Richard E. Cohen, Assistant United States Attorneys for the Western District of Washington, and the defendant, CLIFFORD G. BAIRD, and his attorney, Todd Maybrown, and enter into the following Agreement, pursuant to Federal Rule of Criminal Procedure 11(e).

1. Waiver of Indictment. Defendant, having been advised of the right to be charged by Indictment, agrees to waive that right and enter a plea of guilty to the charge brought by the United States Attorney in an Information.

2. The Charges. Defendant, having been advised of the right to have this matter tried before a jury, agrees to waive that right and enter a plea of guilty to the following charge contained in the one-count Information. By entering this plea of guilty, Defendant hereby waives all objections to the form of the charging document: Conspiracy to Commit Securities Fraud, Wire Fraud, Mail Fraud, and Money Laundering, as charged in Count 1 of the Information, in violation of Title 18, United States Code, Section 371.

PLEA AGREEMENT
(Clifford G. Baird, Case No. CR02-) - 1

UNITED STATES ATTORNEY
601 UNION STREET, SUITE 5100
SEATTLE, WASHINGTON 98101-3903
(206) 553-7970

1 3. The Penalties Defendant understands that the maximum statutory penalties
2 for the offense charged in Count 1 of the Information are as follows: imprisonment for up
3 to five (5) years, a fine of up to two hundred fifty thousand dollars (\$250,000), a period of
4 supervision following release from prison of between two (2) and three (3) years, and a
5 one hundred dollar (\$100) penalty assessment. The Court may also impose an alternative
6 fine based on gain or loss equal to twice the gross gain or twice the gross loss. The
7 defendant further understands and agrees that he will be required to pay the penalty
8 assessment of one hundred dollars (\$100) at or before the time of sentencing.

9 Defendant agrees that any monetary penalty the Court imposes, including
10 the special assessment, fine, costs or restitution, is due and payable immediately, and
11 further agrees to submit a completed Financial Statement of Debtor form as requested by
12 the United States Attorney's Office.

13 Defendant understands that supervised release is a period of time following
14 imprisonment during which he will be subject to certain restrictions and requirements.
15 Defendant further understands that if supervised release is imposed and he violates one or
16 more its conditions, he could be returned to prison for all or part of the term of supervised
17 release that was originally imposed. This could result in Defendant serving a total term of
18 imprisonment greater than the statutory maximum stated above.

19 4. Rights Waived by Pleading Guilty. Defendant represents to the Court that
20 he is satisfied that his attorney has rendered effective assistance. Defendant understands
21 that, by pleading guilty, he knowingly and voluntarily waives the following rights

- 22 a. The right to plead not guilty, and to persist in a plea of not guilty;
23 b. The right to a speedy and public trial before a jury of Defendant's
24 peers;
25 c. The right to the assistance of counsel at trial, including, if Defendant
26 could not afford an attorney, the right to have the Court appoint one for Defendant;
27 d. The right to be presumed innocent until guilt has been established at
28 trial, beyond a reasonable doubt;

- 1 e. The right to confront and cross-examine witnesses against
2 Defendant;
3 f. The right to compel or subpoena witnesses to appear on Defendant's
4 behalf;
5 g. The right to testify or to remain silent at trial, at which such silence
6 could not be used against Defendant; and
7 h. The right to appeal a finding of guilt or any pretrial rulings.

8 5. Applicability of Sentencing Guidelines. Defendant understands and
9 acknowledges the following:

- 10 a. The United States Sentencing Guidelines, promulgated by the
11 United States Sentencing Commission, are applicable to this case;
12 b. The Court will determine Defendant's applicable Sentencing
13 Guidelines range at the time of sentencing;
14 c. The Court may impose any sentence authorized by law, including a
15 sentence that, under some circumstances, departs from any applicable Sentencing
16 Guidelines range up to the maximum term authorized by law;
17 d. The Court is not bound by any recommendation regarding the
18 sentence to be imposed, or by any calculation or estimation of the Sentencing Guidelines
19 range offered by the parties, or by the United States Probation Department; and
20 e. Defendant may not withdraw a guilty plea solely because of the
21 sentence imposed by the Court.

22 6. Ultimate Sentence. Defendant acknowledges that no one has promised or
23 guaranteed what sentence the Court will impose.

24 7. Elements of the Offenses. The elements of the offense of Conspiracy to
25 Commit Securities Fraud, Wire Fraud, Mail Fraud, and Money Laundering, as charged in
26 Count 1 of the Information, in violation of Title 18, United States Code, Section 371, are
27 as follows: (1) there was an agreement between Defendant and at least one other person
28 to commit securities fraud, wire fraud, mail fraud, or money laundering, or at least one of

1 these offenses; (2) Defendant became a member of the conspiracy knowing of at least one
2 of its objects and intending to help accomplish such object or objects; and (3) one of the
3 members of the conspiracy performed at least one overt act for the purpose of carrying
4 out the conspiracy.

5 8. Restitution. Defendant shall make restitution in the amount of ten million,
6 eight hundred fifty-six thousand, two hundred and ninety dollars (\$10,856,290),
7 representing the amount of loss suffered by investors in Cascade Pointe on or after
8 June 22, 2001, and additional restitution in an amount to be determined by the Court at
9 sentencing representing the amount of loss suffered by any investors who invested in
10 Health Maintenance Centers, Inc., or Znetix, Inc., on or after June 22, 2001 Defendant
11 shall receive credit for any amounts already paid or collected. The total restitution
12 amount shall be due and payable immediately upon sentencing, and shall be paid in
13 accordance with a schedule of payments as set by the United States Probation Office and
14 ordered by the Court. Defendant's restitution obligation shall be joint and several with
15 any other individuals who are charged and convicted of having been involved in the same
16 conspiracy and scheme to defraud.

17 9. Loss Amount. The United States and Defendant agree that the correct
18 amount of the loss is between seven million dollars (\$7,000,000) and twenty million
19 dollars (\$20,000,000) for purposes of U.S.S.G. § 2B1.1(b)(1).

20 10 Statement of Facts. The parties agree on the following facts in support of
21 Defendant's guilty plea and for purposes of calculating the base offense level of the
22 Sentencing Guidelines Defendant admits he is guilty of the charged offenses:

23 From in or about 1995, and continuing thereafter until on or about January 23,
24 2002, at Bellevue, Seattle and Bainbridge Island, within the Western District of
25 Washington, and elsewhere, the defendant, CLIFFORD G. BAIRD, together with other
26 persons known and unknown to the United States Attorney, did unlawfully, willfully, and
27 knowingly combine, conspire, confederate and agree among themselves and each other to
28 commit certain offenses against the United States, as follows; defendant CLIFFORD G.
BAIRD knowingly joined the conspiracy on or about June 22, 2001:

27 INTRODUCTION

28 a. According to public records, Health Maintenance Centers, Inc.
("HMC") was incorporated in Washington State on May 12, 1995, and was

1 administratively dissolved and reinstated at various times throughout the period from on
2 or about December 6, 1995, through on or about October 30, 2000. The Articles of
3 Incorporation for HMC provided that the corporate purposes of HMC were "[t]o operate
4 health and exercise clubs, and related facilities" and "[t]o engage in any business, trade or
5 activity which may be conducted lawfully by a corporation organized under the
6 Washington State Business Corporation Act." The Articles of Incorporation for HMC
7 also provided that "[t]his corporation is authorized to issue 10,000 shares of common
8 stock and each share shall have a par value of \$1.00." On February 5, 1997, HMC filed
9 Articles of Amendment that provided, among other things, that "[t]his corporation is
10 authorized to issue 15,000,000 shares of common stock and each share shall have a par
11 value of \$1.00." On or about December 26, 2001, HMC ceased to exist as a Washington
12 State corporation and merged with a Delaware corporation known as HMC Acquisition
13 Corp., a wholly-owned subsidiary of Znetix, Inc. Also on or about December 26, 2001,
14 HMC Acquisition Corp. changed its name to Health Maintenance Centers, Inc.

15
16 b. According to public records, Project X, Inc. was incorporated in the
17 State of Washington on November 3, 1999. On October 3, 2000, Project X filed Articles
18 of Amendment with the Washington State Secretary of State changing its name to Znetix,
19 Inc. On or about September 25, 2001, Znetix, Inc., ceased to exist as a Washington State
20 corporation and merged with a Delaware corporation known as Znetix, Inc.

21 c. From in or about 1995 through in or about January, 2002, HMC,
22 Project X, and Znetix, and affiliated entities, through various sales agents and at the
23 direction and with the participation of persons known and unknown to the United States
24 Attorney, solicited and received in excess of \$50 million from investors. At no time were
25 the offers and sales of securities issued by HMC, Project X, Znetix, and affiliated entities
26 registered with the United States Securities and Exchange Commission, the State of
27 Washington Department of Financial Institutions, Securities Division, or with the
28 securities regulatory authority in any other state.

1 d. On or about April 9, 2001, the State of Washington Department of
2 Financial Institutions, Securities Division, issued a Summary Order to Cease and Desist
3 against HMC and an individual known to the United States Attorney. The Cease and
4 Desist Order, among other things, barred HMC (and its employees, officers and directors)
5 from selling securities through fraudulent representations and material omissions, and in
6 violation of the State of Washington's securities registration statute.

7 e. Cascade Pointe LLC was a limited liability company formed in
8 Washington State on or about May 2, 2001. Cascade Pointe of Arizona LLC was a
9 limited liability company formed in Arizona in or about July, 2001. Cascade Pointe of
10 Nevis LLC was a limited liability company established in the Carribean nation of Nevis
11 on or about July 26, 2001.¹ From on or about June 22, 2001, through in or about January
12 2002, defendant CLIFFORD G. BAIRD served as the Manager of Cascade Pointe, but at
13 all times relevant to this Information, the defendant was receiving instructions concerning
14 the management of Cascade Pointe from persons affiliated with HMC and Znetix known
15 and unknown to the United States Attorney.

16 f. From on or about May 2, 2001 through in or about January 2002,
17 persons known and unknown to the United States Attorney affiliated with Cascade
18 Pointe, including defendant CLIFFORD G. BAIRD from on or about June 22, 2001,
19 through in or about January 2002, solicited and received in excess of \$12 million from
20 investors. At no time were the offers and sales of securities issued by Cascade Pointe and
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22

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28 ¹ Cascade Pointe LLC, Cascade Pointe of Arizona LLC, and Cascade Pointe of Nevis
LLC are collectively referenced in this Information as "Cascade Pointe."

1 affiliated entities registered with the United States Securities and Exchange Commission,
2 the State of Washington Department of Financial Institutions, Securities Division, or with
the securities regulatory authority in any other state.

3 OBJECTS OF THE CONSPIRACY

4 The objects of the conspiracy were as follows:

5 g. To unlawfully, knowingly, and willfully, directly and indirectly, by
the use of means and instrumentalities of interstate commerce, and of the mails, use and
6 employ, in connection with the purchases and sales of securities, manipulative and
deceptive devices and contrivances, by (i) employing devices, schemes, and artifices to
7 defraud; (ii) making untrue statements of material facts and omitting to state material
facts necessary to make the statements made, in light of the circumstances in which they
8 were made, not misleading; and (iii) engaging in acts, practices, and courses of business
which operated and would operate as a fraud and deceit upon other persons, in violation
9 of Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal
Regulations, Section 240.10b-5;

10 h. To knowingly and willfully transmit and cause to be transmitted by
11 wire communication in interstate and foreign commerce writings, signs, signals, pictures,
and sounds in furtherance of a scheme and artifice to defraud and for obtaining money
12 and property by means of false and fraudulent pretenses, representations, and promises, in
violation of Title 18, United States Code, Section 1343;

13 i. To knowingly and willfully use and cause the United States mail and
14 interstate couriers to be used in furtherance and execution of a scheme and artifice to
defraud investors in HMC, Project X, Znetix, Cascade Pointe, and affiliated entities, and
15 a scheme and artifice for obtaining money and property of said investors by means of
false and fraudulent pretenses, representations and promises, in violation of Title 18,
16 United States Code, Section 1341;

17 j. To conduct and attempt to conduct financial transactions affecting
interstate commerce involving the proceeds of specified unlawful activity (mail fraud,
18 wire fraud, and securities fraud), knowing that the property involved in the financial
transactions represented the proceeds of some form of unlawful activity, and knowing
19 that the transactions were designed in whole and in part to conceal or disguise the nature,
the location, the source, the ownership, and the control of the proceeds of specified
20 unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i);

21 k. To transport, transmit, and transfer, and attempt to transport,
22 transmit, and transfer, monetary instruments and funds from places in the United States to
and through places outside the United States, and to places in the United States from and
23 through places outside the United States, knowing that the monetary instruments and
funds involved in the transportations, transmissions, and transfers represented the
24 proceeds of some form of unlawful activity, and knowing that such transportations,
transmissions, and transfers were designed in whole or in part to conceal or disguise the
25 nature, the location, the source, the ownership, and the control of the proceeds of
specified unlawful activity, in violation of Title 18, United States Code, Section
26 1956(a)(2)(B)(i); and

27 l. To knowingly and willfully engage and attempt to engage monetary
28 transactions by, through, or to financial institutions, which monetary transactions affected
interstate and foreign commerce, in criminally derived property of a value greater than
\$10,000, such property having been derived from specified unlawful activities, that is

1 mail fraud, wire fraud, and securities fraud, in violation of Title 18, United States Code,
2 Section 1957.

3 MANNER AND MEANS OF THE CONSPIRACY

4 m It was a part of the conspiracy and scheme to defraud that defendant
5 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
6 offered and sold, and caused to be offered and sold, and aided and abetted the offer and
7 sale of, securities issued by HMC, Project X, Znetix, and Cascade Pointe to thousands of
8 investors located in Washington State and many other states by means of false and
9 fraudulent statements, representations, promises, and pretenses, including, but not limited
10 to, the false and fraudulent statements that:

11 i. investors who purchased the securities of HMC for one dollar
12 per share would receive four shares of Znetix for each share of HMC at the point when
13 Znetix purchased or merged with HMC;

14 ii. Znetix would imminently engage in an Initial Public Offering
15 ("IPO"), after which Znetix securities could be freely traded on exchanges such as
16 NASDAQ;

17 iii. Znetix shares would be valued at substantially more than one
18 dollar per share after the IPO;

19 iv. Znetix had retained prominent investment banking and
20 underwriting firms who were working on the IPO;

21 v. Znetix had filed or would very shortly file a registration
22 statement with the United States Securities and Exchange Commission;

23 vi. Znetix was in a "quiet period" just prior to the IPO;

24 vii. HMC and Znetix had developed proprietary medical and
25 fitness software and equipment which would generate substantial revenues;

26 viii. Znetix had sold or would shortly sell licenses for
27 approximately \$1 million apiece to operate health and fitness clubs throughout the United
28 States;

ix. leading sports and entertainment figures had agreed to
franchise health and fitness clubs from Znetix;

x. a health and fitness club owned by a company affiliated with
HMC and located on Bainbridge Island, Washington, was profitable;

xi. Znetix would receive \$500 million from an investor group
from China;

xii. Cascade Pointe was a private investment firm founded and
under management by individuals who were not affiliated with HMC and Znetix;

xiii. Cascade Pointe was one of the nation's leading private
investment firms, and believed in "diversification" and investments based on "rock-solid
financials;"

1 xiv. Cascade Pointe would and had the ability to fund, by means
2 of cash or lines of credit, a "rescission offer" to be made by HMC to its investors, which
3 rescission offer was a final step before the Znetix IPO and would afford HMC investors
the opportunity to choose between a refund of their investments or keeping their
investment with HMC in place;

4 xv. the rescission offer, and therefore the Znetix IPO, was
5 imminent;

6 xvi. Cascade Pointe would operate health and fitness clubs in
7 Arizona and in international locations such as Japan, and would receive tens of millions
8 of dollars of revenue;

9 xvii. funds received from investors in Znetix would be placed in an
10 escrow account;

11 xviii. investors who received "units" in Cascade Pointe would
12 receive more than one share of HMC stock for each unit, and would later receive four
13 shares of Znetix for each HMC share;

14 xix. Znetix had or was about to obtain a contract with the U.S.
15 Department of Defense worth billions of dollars;

16 xx. Various shell corporations established in the Caribbean nation
17 of Nevis would provide tens of millions of dollars in the form of lines of credit to
18 Cascade Pointe;

19 xxi. Cascade Pointe investors would receive million of shares in
20 HMC after the rescission offer to be made by HMC.

21 n. It was a part of the conspiracy and scheme to defraud that in the offer
22 and sale of the securities issued by HMC, Project X, Znetix, and Cascade Pointe,
23 defendant CLIFFORD G. BAIRD and others known and unknown to the United States
24 Attorney knowingly and willfully failed to truthfully and accurately disclose in a
25 registration statement, prospectus, private placement memorandum or in any other form
26 material facts, including but not limited to:

27 i. the uses to which investors' money would be put;

28 ii. the financial condition of the HMC, Project X, Znetix, and
Cascade Pointe;

 iii. the lack of financial controls at HMC, Project X, Znetix, and
Cascade Pointe;

 iv. the compensation to be received by defendants and others
associated with HMC, Project X, Znetix, and Cascade Pointe;

 v. that HMC, Project X, Znetix, and Cascade Pointe were under
common management and control;

 vi. that HMC had sold more than its authorized amount of shares.

 o. It was a part of the conspiracy and scheme to defraud that defendant
CLIFFORD G. BAIRD and others known and unknown to the United States Attorney

1 used millions of dollars of funds received from investors for personal use, and for other
2 purposes not disclosed to investors.

3 p. It was a part of the conspiracy and scheme to defraud that defendant
4 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
5 established and used a series of shell companies in the United States, in the Caribbean
6 nation of Nevis, and elsewhere, to promote the scheme and to conceal the ownership and
7 control of funds;

8 q. It was a part of the conspiracy and scheme to defraud that the
9 coconspirators used millions of dollars of investor funds to promote the scheme by
10 sponsoring hydroplane and offshore racing boats, the Seattle Mariners major league
11 baseball team, and other prominent organizations and events, by hosting lavish parties in
12 Los Angeles and elsewhere, and by paying professional sports stars to wear items
13 imprinted with the Znetix logo.

14 r. It was a part of the conspiracy and scheme to defraud that defendant
15 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
16 paid employees and consultants of Znetix, HMC, Cascade Pointe, and related entities
17 outrageously high salaries, commissions, and other compensation to work, wittingly or
18 unwittingly, in furtherance of the conspiracy and scheme to defraud.

19 s. It was a part of the conspiracy and scheme to defraud that the
20 coconspirators misled and attempted to mislead the State of Washington, the U.S.
21 Securities and Exchange Commission, and others with regard to the activities of HMC,
22 Znetix, Cascade Pointe, and those affiliated with them;

23 t. It was a part of the conspiracy and scheme to defraud that the
24 coconspirators employed multi-level marketing techniques and various sales agents to sell
25 the securities of HMC, Znetix, and Cascade Pointe to over five thousand investors
26 throughout the United States.

27 u. It was a part of the conspiracy and scheme to defraud that defendant
28 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
lulled and attempted to lull investors, through oral and written communications
containing false and misleading statements, into believing that their investments with
HMC, Znetix, Cascade Pointe, and related entities, would result in the creation of
significant wealth.

OVERT ACTS

In furtherance of the conspiracy, and to promote the objects thereof,
defendant CLIFFORD G. BAIRD and others known and unknown to the United States
Attorney committed and caused to be committed, among others, the following overt acts:

v. On or about May 2, 2001, persons affiliated with HMC and Znetix
who are known to the United States Attorney caused the formation of Cascade Pointe,
LLC, as a Washington State limited liability company.

w. On or about June 26, 2001, defendant CLIFFORD G. BAIRD and a
person affiliated with HMC known to the United States Attorney executed a "letter of
intent" purporting to commit Cascade Pointe to provide \$35 million to fund a rescission
offer to be made by HMC to investors.

x. On or about July 2, 2001, defendant CLIFFORD G. BAIRD received
a letter from Julie S. Mills falsely stating that Palledium Capital Partners, Ltd. of Nevis

1 would provide Cascade Pointe with a \$5 million line of credit for an up front fee of
2 \$175,000.

3 y. On or about July 11, 2001, defendant CLIFFORD G. BAIRD
4 received a letter from Julie S. Mills falsely stating that Rutherford, York & Baxter, Ltd. of
Nevis would provide Cascade Pointe with a \$10 million line of credit for an up front fee
of \$200,000.

5 z. On or about July 12, 2001, defendant CLIFFORD G. BAIRD
6 received a letter from Julie S. Mills falsely stating that Winfield & Brundidge
Investments, Inc. of Nevis would provide Cascade Pointe with a \$10 million line of credit
for an up front fee of \$150,000.

7 aa. On or about July 12, 2001, defendant CLIFFORD G. BAIRD sent a
8 letter to investors stating, among other things, that:

9 i. the contract between HMC and Cascade Pointe "discloses in
10 excess of \$60 million in promissory notes due to HMC, Inc. by other companies;"

11 ii. Cascade Pointe "has been awarded the state of Arizona by
Znetix. The anticipated annual revenues will be between \$50 million and \$100 million
within the first five years of operation;"

12 iii. Cascade Pointe "will also be participating in some portion of
13 the international markets of the Znetix rollout;" and

14 iv. Cascade Pointe "has secured a \$50 million line of credit from
15 several private money groups."

16 bb. On or about July 16, 2001, defendant CLIFFORD G. BAIRD sent a
letter to investors stating, among other things, that:

17 i. "On Friday night last, July 13, I signed the final agreement to
18 acquire HMC, Inc. rescission stock, some assets and some liabilities. This agreement
now gives HMC the ability to start its rescission process by providing the funding
necessary for HMC to purchase back shares as requested;" and

19 ii. "With the retaining of a couple of new Fund Managers as
20 consultants, we should be able to finish our \$50 million round by the end of the week."

21 cc. On or about July 16, 2001, defendant CLIFFORD G. BAIRD
22 received a letter from Kim Singh falsely stating that Hawkins & Holland, Inc. of Nevis
would provide Cascade Pointe with a \$10 million line of credit for an up front fee of
\$250,000.

23 dd. On or about July 16, 2001, defendant CLIFFORD G. BAIRD
24 received a letter from Julie S. Mills falsely stating that Nurrell Marcos Capital, Ltd. of
Nevis would provide Cascade Pointe with a \$10 million line of credit for an up front fee
of \$150,000.

25 ee. On or about July 21, 2001, defendant CLIFFORD G. BAIRD sent an
26 e-mail message to investors stating, among other things, that:

27 i. "We are now negotiating to participate in a new foreign
28 opportunity. We are entering discussions for the very real possibility of Cascade Pointe

1 participating in the licensing of over 150 health club/fitness centers in Tokyo, Japan. This
2 just continues to increase your future income stream as a founding member;" and

3 ii. "This past week someone gave me a great metaphor about this
4 journey we have been on. He suggested it was like an Olympic marathon and we have
5 just entered the Olympic stadium - Wow?"

6 ff. On or about July 24, 2001, defendant CLIFFORD G. BAIRD sent a
7 letter to investors, stating, among other things, that Cascade Pointe would be moving its
8 "legal venue" to the Carribean nation of Nevis, and that on or around August 15, 2001,
9 Cascade Pointe would be "retaining the services of an investment banker like Bear
10 Stearns or Stiffel, Nicolaus to assist us in raising money to build the facilities."

11 gg. On or about August 9, 2001, defendant CLIFFORD G. BAIRD and a
12 person affiliated with HMC known to the United States Attorney executed an "Amended
13 and Restated Stock Purchase Agreement" purporting to commit Cascade Pointe to
14 provide \$55 million to fund a rescission offer to be made by HMC to investors.

15 hh. On or about September 7, 2001, defendant CLIFFORD G. BAIRD
16 received a letter from J. Michelle Williams falsely stating that Lloyd's & Lloyd's
17 Financial, Ltd. of Nevis would provide Cascade Pointe with a \$10 million line of credit
18 for an up front fee of \$150,000

19 ii. On November 2, 2001, a wire transfer in the amount of \$40,500.00,
20 representing funds obtained from investors, was received by Cascade Pointe from an
21 account controlled by John Brust at Royal American Bank.

22 jj. On November 2, 2001, funds in the amount of \$125,000.00 were
23 withdrawn from a bank account controlled by Cascade Pointe for the purchase of
24 cashier's check number 0604963566 payable to HMC.

25 kk. On November 7, 2001, funds in the amount of \$50,000.00 were
26 withdrawn from a bank account controlled by Cascade Pointe for the purchase of
27 cashier's check number 8590333743 payable to HMC.

28 ll. On November 9, 2001, funds in the amount of \$100,000.00 were
withdrawn from a bank account controlled by Cascade Pointe for the purchase of
cashier's check number 8590333968 payable to HMC.

mm. On November 20, 2001, funds in the amount of \$140,000.00 were
withdrawn from a bank account controlled by Cascade Pointe for the purchase of
cashier's check number 8590335507 payable to HMC.

nn. On November 26, 2001, funds in the amount of \$125,000.00 were
withdrawn from a bank account controlled by Cascade Pointe for the purchase of
cashier's check number 8590336083 payable to HMC.

oo. On November 26, 2001, funds in the amount of \$100,000.00 were
withdrawn from a bank account controlled by Cascade Pointe for the purchase of
cashier's check number 8590335912 payable to HMC.

pp. On December 7, 2001, a wire transfer of funds in the amount of
\$50,000.00, was sent from a Bank of America account in the name of Cascade Pointe
LLC to ABN Amro Bank, for the benefit of Lemur Capital Ltd., an entity established in
the Carribean nation of Nevis and controlled by defendant CLIFFORD G. BAIRD..

1 qq. On January 16, 2002, funds in the amount of \$50,000.00 were
2 withdrawn from a bank account controlled by Cascade Pointe for the purchase of a
cashier's check payable to HMC.

3 rr. On January 18, 2002, funds in the amount of \$85,000.00 were
4 withdrawn from a bank account controlled by Cascade Pointe for the purchase of a
cashier's check payable to HMC.

5 11. Cooperation.

6 a. Defendant shall cooperate completely and truthfully with law
7 enforcement authorities in the investigation and prosecution of other individuals involved
8 in criminal activity. Such cooperation shall include, but not be limited to, complete and
9 truthful statements to law enforcement officers, as well as complete and truthful
10 testimony, if called as a witness before a grand jury, or at any state or federal trial, retrial,
11 or other judicial proceedings. Defendant acknowledges that this obligation to cooperate
12 shall continue after Defendant has entered guilty pleas and sentence has been imposed, no
13 matter what sentence Defendant receives; Defendant's failure to do so may constitute a
14 breach of this Plea Agreement. Defendant shall also cooperate fully and completely with
15 the Receiver appointed by the Court in ^{SEC} United States v. Health Maintenance Centers, Inc.,
16 et. al., C02-153P (W.D.Wa.)

17 b. Defendant understands that the United States will tolerate no
18 deception from him. If, in the estimation of the United States Attorney, information or
19 testimony provided from the date of the Plea Agreement, proves to be untruthful or
20 incomplete in any way, regardless of whether the untruthfulness helps or hurts the United
21 States' case, the United States Attorney for the Western District of Washington may
22 consider that Defendant has breached this Plea Agreement.

23 c. The United States Attorney's Office for the Western District of
24 Washington, in turn, agrees not to prosecute Defendant for any other offenses, other than
25 crimes of violence, that Defendant may have committed in the Western District of
26 Washington prior to the date of this Agreement about which (1) the United States
27 presently possesses information; or (2) Defendant provides information pursuant to this
28 Agreement to cooperate with the authorities.

1 d. The parties agree that information provided by Defendant in
2 connection with this Plea Agreement shall not be used to determine Defendant's sentence,
3 except to the extent permitted by U.S.S.G. § 1B1.8.

4 e. In exchange for Defendant's cooperation, as described above, and
5 conditioned upon Defendant's fulfillment of all conditions of this Plea Agreement, the
6 United States Attorney agrees to bring the nature and extent of the Defendant's
7 cooperation to the attention of the Court at sentencing. The Defendant understands and
8 acknowledges that the United States makes no commitment to filing a motion pursuant to
9 U.S.S.G. § 5K1.1 permitting the Court to sentence Defendant to less than the otherwise
10 applicable Sentencing Guideline range, that the United States may or may not consider
11 filing a motion pursuant to section 5K1.1, and that he will have no right to withdraw his
12 plea of guilty if the United States does not file such a motion.

13 f. Defendant agrees that his sentencing date may be delayed based on
14 the United States' need for his continued cooperation, and agrees not to object to any
15 continuances of his sentencing date sought by the United States.

16 12. Acceptance of Responsibility. The United States acknowledges that if
17 Defendant qualifies for the two-point acceptance of responsibility adjustment pursuant to
18 U.S.S.G. § 3E1.1(a), and if the offense level is sixteen (16) or greater, Defendant's total
19 offense level should be decreased by an additional one (1) level pursuant to U.S.S.G. §
20 3E1.1(b), because Defendant has assisted the United States by timely notifying the
21 authorities of his intention to plead guilty, thereby permitting the United States to avoid
22 preparing for trial and permitting the Court to allocate its resources efficiently.

23 13. Non-Prosecution of Additional Offenses. If the defendant complies fully
24 with this Plea Agreement, the United States Attorney's Office for the Western District of
25 Washington agrees not to prosecute Defendant for any additional offenses known to it as
26 of the time of this Agreement that are based upon evidence in its possession at this time,
27 or that arise out of the conduct giving rise to this investigation. In this regard, Defendant
28 recognizes that the United States has agreed not to prosecute all of the criminal charges

1 that the evidence establishes were committed by Defendant solely because of the
2 promises made by Defendant in this Agreement. Defendant acknowledges and agrees,
3 however, that for purposes of preparing the Presentence Report, the United States
4 Attorney's Office will provide the United States Probation Office with evidence of all
5 relevant conduct committed by Defendant. The agreement stated in this paragraph does
6 not apply to crimes of violence.

7 14. Voluntariness of Plea. Defendant acknowledges that he has entered into
8 this Plea Agreement freely and voluntarily, and that no threats or promises, other than the
9 promises contained in this Plea Agreement, were made to induce Defendant to enter these
10 pleas of guilty.

11 15. In the event that this Agreement is not accepted by
12 the Court for any reason, or Defendant has breached any of the terms of this Plea
13 Agreement, the statute of limitations shall be deemed to have been tolled from the date of
14 the Plea Agreement to the later of: (1) 30 days following the date of non-acceptance of
15 the Plea Agreement by the Court; or (2) 30 days following the date on which a breach of
16 the Plea Agreement by Defendant is discovered by the United States Attorney's Office.

17 16. Post-Plea Conduct. Defendant understands that the terms of this Plea
18 Agreement apply only to conduct that occurred prior to the execution of this Agreement.
19 If, after the date of this Agreement, Defendant should engage in conduct that would
20 warrant an increase in Defendant's adjusted offense level or justify an upward departure
21 under the Sentencing Guidelines (examples of which include, but are not limited to:
22 obstruction of justice, failure to appear for a court proceeding, criminal conduct while
23 pending sentencing, and false statements to law enforcement agents, the probation officer
24 or Court), the United States is free under this Agreement to seek a sentencing
25 enhancement or upward departure based on that conduct.

26
27 17. Completeness of Agreement. The United States and Defendant
28 acknowledge that these terms constitute the entire Plea Agreement between the parties.

1 This Agreement only binds the United States Attorney's Office for the Western District of
2 Washington. It does not bind any other United States Attorney's Office or any other
3 office or agency of the United States, or any state or local prosecutor.

4 DATED: This 30th day of July, 2002.

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8 CLIFFORD G. BAIRD
Defendant

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12 TODD MAYBROWN
Attorney for Defendant

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15 JEFFREY B. COOPERSMITH
Assistant United States Attorney